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CABINET COUNCIL ON MANAGEMENT AND ADMINISTRATION

CONSULTING SERVICES CONTROLS

Issue Paper

ISSUE

What steps should be taken to reduce and control the cost of consulting and related services?

BACKGROUND

The Federal government spends about $1.5 billion annually on consulting and related services, nearly two-thirds (or $1 billion) of it by the Department of Defense. (See table below.) These services are often advisory in character and provide agency leadership with views and opinions on problems or issues relating to agency operations; or they might be special studies and analyses of management and support services for R&D activities. They are usually of a specialized professional or technical nature. OMB Circular A-120 and a subsequent memorandum from the Director of OMB provide agencies with basic guidelines and policy on the use of consulting services, and identify certain controls the agencies can use.

Consulting and Related Services
(Obligations, in Millions of Dollars)

	FY 1982	FY 1983	FY 1984
Total	1,404.4	1,481.5	1,518.2
Department of Defense	902.4	933.1	980.8
(Defense as percent of total) . .	(66.4%)	(63.0%)	(64.6%)

While legitimate agency need exists for these services, abuses have been referenced from time to time in congressional hearings, GAO reports, news articles, and by some executive branch managers. These offenses are said to include use of consultants to perform policy-making or management work, sole source selection when competitive procurement should have been used, year-end "rush spending" on questionable consulting contracts, "revolving-door" personnel arrangements, and conflict of interest situations.

Senators DeConcini, Abdnor, and Mattingly have asked OMB Director Stockman to devise stronger controls in this area. Senator Mattingly has also asked Loren Smith, Chairman, Administrative Conference of the United States (ACUS), to review the problem.

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OMB ACTIONS

In January, 1982, OMB developed a "Model Control System for Consulting and Related Services." The system defined model methods that agencies could adopt for controlling the use and quality of consultant services. In an August, 1983 survey, OMB found that of 13 agencies, 11 had not applied the model, one (Veterans Administration) had adopted it satisfactorily, and another (Commerce) had found mixed results. Most of the agencies not using the model expressed an intent to do so over the next year.

ACUS PROPOSAL

In a letter to Edwin Meese, dated July 26, 1983, Loren Smith suggested two basic controls, which can be used singly or in combination:

1. Require agencies to obtain OMB approval for each contract in excess of a specified level, e.g., $100,000; and, publish a brief synopsis in the Commerce Business Daily along with the names and phone numbers of the OMB approving officer and the agency contracting officer.

2. Require agency program employees to prepare an internal evaluation of the impact of each completed contract on program efficiency and effectiveness.

OMB opposes the ACUS proposals on the grounds that OMB approval and additional agency evaluation would be administratively impractical and burdensome, both for OMB and for the agencies. OMB does not and should not have a staff sufficiently large to control such a process in the detail implied.

OMB PROPOSAL

OMB believes that primary responsibility and accountability for managing agencies must stay with the agency heads. It prefers that agencies adopt a set of controls baed on the Model Control System. The model system provides for an agency post-evaluation of each consulting contract, as well as several other control features. Alternatively or simultaneously, reviews of the use of consultant services can be made (or required) as part of the Financial Integrity Act internal control reviews.

CCMA INTEREST

Opportunities exist for cutting waste and abuse in this area. Savings could be very substantial, a chronically difficult management problem could be corrected, and the Administration could take credit for eliminating another abuse of appropriated funds.

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CCMA OPTIONS

1. Develop further the ACUS concepts of OMB approval and/or agency program evaluation of contracts.

2. Proceed with the OMB approach of urging adoption of the Model Control System, or its equivalent. Request larger agencies to adopt a consultant services control system based on the OMB model and/or require review of the use of consultant services as part of the mandatory annual internal control reviews.

3. Further examine these and additional alternatives in a quick 60-day study, conducted by a small CCMA working group.

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